

SENATE FINANCE COMMITTEE

May 13, 2021

3:09 p.m.

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CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 3:09 p.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson (via teleconference)
Senator Natasha von Imhof
Senator David Wilson

MEMBERS ABSENT

Senator Bill Wielechowski

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Pete Ecklund, Staff, Senator Bert Stedman.

SUMMARY

CSHB 69(FIN) am(brf sup maj fld)(efd fld)
APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 69(FIN) am(brf sup maj fld)(efd fld) was
HEARD and HELD in committee for further
consideration.

CSHB 71(FIN) am
APPROP: MENTAL HEALTH BUDGET

HB 71(FIN) am was HEARD and HELD in committee for
further consideration.

#hb69

#hb71

CS FOR HOUSE BILL NO. 69(FIN) am(brf sup maj fld)(efd fld)

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; and making capital appropriations, supplemental appropriations, and reappropriations."

CS FOR HOUSE BILL NO. 71(FIN) am

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; making supplemental appropriations; and providing for an effective date."

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Co-Chair Stedman relayed that the committee would consider the Senate committee substitutes for HB 69 and HB 71. He explained that the bill came from the other body and would supplant the budget bill that the committee had previously discussed.

Co-Chair Bishop MOVED to ADOPT proposed committee substitute for CSHB 69(FIN) am(brf sup maj fld)(efd fld), Work Draft 32-GH1509 (Marx, 5/13/21).

Co-Chair Stedman OBJECTED for discussion.

Co-Chair Stedman asked staff and the Office of Management and Budget (OMB) director to come to the table. He noted that some of the information that would be discussed would be new and some had been previously discussed.

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, referenced an OMB packet in members' files titled "OMB Packet 1-5" (copy on file). The first document in the packet was a memorandum dated May 3rd [from his office addressed to the co-chairs of the Senate Finance Committee and House Finance Committee]. He noted that a couple of the items had been previously discussed by the committee and a couple were newer amendments transmitted to the legislature for consideration.

Mr. Steininger moved to a spreadsheet on the second page of the packet [titled "FY2021 Operating Supplemental Governor

Amended"]. The first item was authority for the Mt. Edgecumbe Boarding School to accept some of the incoming federal COVID-19 relief money. He explained that most of the incoming federal revenue for districts was routed through the Department of Education and Early Development (DEED); however, money for Mt. Edgecumbe was received directly by the school. The second item was \$410,000 for judgements, settlements, and claims. The third item was a reappropriation of \$5.5 million from aviation state match to the Marine Highway System Fund. He explained that the Alaska Marine Highway System (AMHS) revenues were collected in the Marine Highway System Fund. He detailed that there had been a significant revenue shortfall due to COVID-19, resulting in a projected negative fund balance. He elaborated that the Federal Aviation Administration (FAA) had waived the match requirements on the airport improvement program, freeing up a significant amount of general funds that would have been used to match the federal revenues.

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Senator von Imhof pointed to the language column labeled "Lang" that showed a "Y" for each of the three items discussed by Mr. Steininger. She asked for verification the column indicated the three items were included in the committee substitute language section.

PETE ECKLUND, STAFF, SENATOR BERT STEDMAN, responded affirmatively.

Mr. Steininger moved to a memorandum labeled document "2" dated May 3, 2021. He noted that the previous items discussed were supplemental effective date items. He clarified that document 2 pertained to FY 22 operating budget items. He turned to a spreadsheet showing three items on the fourth page of the packet [titled "FY2022 Operating Governor Amended"]. The first item was an adjustment to the cost of living adjustment (COLA) for court services officers and deputy fire marshals in the amount of \$300,000 undesignated general fund (UGF) and \$317,000 all funds. Item 2 was an increase to the investment management fees for the Alaska Permanent Fund Corporation (APFC) as a result of higher than anticipated returns. He elaborated there was a larger fund balance being managed; therefore, the management fees, which were

generally negotiated on a percentage of the assets under management, had increased.

Mr. Steininger addressed item 3 on the spreadsheet. The item pertained to three positions within the Department of Transportation and Public Facilities (DOT) at a total of \$343,700 funded through federal revenues. He explained the positions were necessary in order to meet reporting requirements of some of the federal relief funds received by DOT if the department utilized the funds in its operating budget.

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Senator von Imhof pointed to the language column labeled "Lang" that showed a "N" for each of the three items discussed by Mr. Steininger. She asked if the three items were not included in the committee substitute. Alternatively, she wondered if the "N" indicated the items were included in the numbers section of the committee substitute.

Mr. Steininger replied that the column indicated the items were included in the numbers section of the bill; however, he could not speak to whether the items were included in the committee substitute.

Senator von Imhof surmised that the spreadsheet likely indicated the items were in the previous bill. She asked for verification that "it was within walking distance of this new bill."

Mr. Steininger responded affirmatively. He explained that the document had been prepared when OMB transmitted the governor's budget amendments to the legislature. He clarified that the bill page and line references in the spreadsheet pertained to the governor's original budget. He noted it was likely a slightly different page and line in the committee substitute.

Mr. Steininger moved to page 5 showing a spreadsheet labeled "FY2022 Governor Amended Operating - Salary Adjustments." He explained that the spreadsheet pertained to two items that were reflected as several hundred individual transactions in the budget system. The items reflected salary negotiations with the Supervisory Unit [of the Alaska Public Employees Association (ASEA)] and the

Alaska Correctional Officers Association. He elaborated that both negotiated a 3 percent COLA in FY 22. The total cost for the Supervisory Unit was \$8.1 million. He detailed that \$2.8 million of the total was covered by UGF. The total cost associated with the Alaska Correctional Officers Association was \$3.3 million, with \$3 million of the total covered by UGF. The third item on the spreadsheet was a language amendment to the salary and other benefit adjustments section in the language section of the operating budget to reflect the negotiations.

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Mr. Steininger moved to a spreadsheet on page 7 labeled "FY2021 Capital Supplemental Governor Amended," also associated with items listed on memorandum 1. The first item was the opposite side of the reappropriation of aviation state match to the Marine Highway System Fund [the other side of the reappropriation was previously discussed and shown on the spreadsheet titled "FY2021 Operating Supplemental Governor Amended"]. The item reflected the reduction in the state match required, which balanced out to the increase in the deposit into the Marine Highway System Fund. Item 2 was \$11 million in FAA Coronavirus Aid, Relief, and Economic Security (CARES) Act funding for rural airport deferred maintenance projects. Item 3 was \$30 million for the Alaska international airport system to enable the use of federal COVID-19 relief revenues to pay off debt service. Item 4 was a reappropriation of \$1 million of the aviation state match for emergency weather events. He explained that sometimes there were large-scale weather events outside the capacity of DOT to accommodate within the normal operating budget and required supplemental appropriations. The item was a capital appropriation to DOT for use in response to an extreme weather event in the future.

Senator Hoffman pointed to the "Bill Number" column on the spreadsheet and observed the bill listed was SB 68. He asked what SB 68 was and if the spreadsheet should read "69" instead.

Mr. Steininger replied that SB 68 and HB 84 were the capital budgets. He explained that the amendments were intended to modify the governor's original capital budget. He believed there may be action on the items in the committee substitute.

Senator Hoffman asked for verification that the action would remove the items from the capital budget and place them in the operating budget.

Mr. Ecklund agreed it was the case for the reappropriation for the Marine Highway System Fund and the weather event. He clarified that the international airport system debt service payment was not yet included in the committee substitute. He would have to follow up with the committee regarding the rural airport deferred maintenance projects, which may have been added to the supplemental section of the committee substitute.

Mr. Steininger relayed that he had concluded reviewing the items.

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Mr. Ecklund referenced a document dated May 13, 2021 showing changes to SB 49 version N (copy on file). The document showed changes from the prior bill version referred to as "CS 1" recently adopted by the committee.

Mr. Ecklund reviewed the changes shown in the document beginning with item 1 pertaining to the University of Alaska. He detailed that the committee substitute deleted and replaced supplemental university language relating to \$42.7 million going to the university from the higher education emergency relief funds II and III. Additionally, there was \$19.985 million for the university from higher education emergency relief funds for student aid.

Mr. Ecklund highlighted item 2, a new capital supplemental section item relating to supplemental insurance claims. Item 3 was a modification of the REAA section. He elaborated that the previous bill version included a sum certain \$34,238,000 for the item. The committee substitute changed the language to read "estimated to be \$34,238,000" and referred to the statutory formula. Item 4 was a cleanup to a DOT supplemental and deleted "Fairbanks" from a nonurbanized area appropriation. Item 5 amended the FY 22 salary and benefits to include two of the new contracts previously mentioned by Mr. Steininger (items 7 and 8) for the Alaska Correctional Officers Association representing correctional officers and the Alaska Public Employees Association representing the Supervisory Unit.

Mr. Ecklund moved to item 6, an operating supplemental item of \$5.3 million from the Elementary and Secondary School Emergency Relief Fund for the Mt. Edgecumbe Boarding School. Item 7 was an update to the judgements and claims section with the correct dollar amount. Item 8 corrected the placement of the Marine Highway System Fund reappropriation in the bill. The item was moved to the fund transfers section of the bill and was modified to \$5.5 million. Item 9 was \$1 million of a reappropriation for emergency weather events. Item 10 included the various salary adjustments appearing throughout the bill to implement new contracts (discussed earlier in the meeting). Item 11 was a \$60 million increase in management fees for APFC.

Mr. Ecklund moved to item 12, which added \$343,000 in federal receipts for three long-term nonpermanent positions to help manage the workload related to all of the federal relief funding coming into DOT. He highlighted fund source swaps pertaining to DOT. There was a fund source swap of slightly over \$17 million from UGF to various federal highway Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funds, CARES Act funds, and FAA CRRSAA funds. He noted the fund source swap had been proposed by the executive branch. There was a fund source swap of \$1.9 million UGF replaced with CRRSAA Federal Highway Administration (FHWA) funds as part of the 18-month Alaska Marine Highway System plan.

Mr. Ecklund addressed item 13, an addition to the Public Defender Agency of \$1.35 million. He noted there had been a Department of Law (DOL) request approved earlier in the budget process that added ten new prosecutor positions and associated support staff. He elaborated that the addition to the Public Defender Agency was to help maintain parity with DOL. Item 14 added just over \$1 million for trial courts within Judiciary to meet increased demands on the court systems. He briefly pointed to technical fixes made by the Legislative Finance Division at the bottom of page 5 of the summary of changes.

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Senator Hoffman referred to item 13 and the addition of seven full-time positions for the Public Defender Agency,

while ten prosecutor positions had been added to DOL. He asked if it was considered parity.

Mr. Ecklund replied that could not answer the question.

Senator Wilson addressed Senator Hoffman's question and thought some of the funds for the Public Defender Agency were for contract attorneys for conflict cases. He did not believe DOL had the same capability. He thought there could be parity within the seven to ten ratio.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, Work Draft 32-GH1509 (Marx, 5/13/21) for CSHB 69(FIN) am(brf sup maj fld)(efd fld) was ADOPTED.

[3:29:30 PM](#)

Co-Chair Bishop MOVED to ADOPT proposed committee substitute for CSHB 71(FIN), Work Draft 32-GH1508/O (Marx, 5/13/21).

Co-Chair Stedman OBJECTED for discussion.

Mr. Ecklund explained that the committee substitute was almost identical to the previous bill version. The committee substitute added salary adjustments from the approved contracts.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, Work Draft 32-GH1508/O (Marx, 5/13/21) for CSHB 71(FIN) was ADOPTED.

CSHB 69(FIN) am(brf sup maj fld)(efd fld) was HEARD and HELD in committee for further consideration.

HB 71(FIN) am was HEARD and HELD in committee for further consideration.

Co-Chair Stedman reviewed the schedule for the following day.

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ADJOURNMENT

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The meeting was adjourned at 3:31 p.m.